

# **PLAN FOR THE FUTURE OF THE WORKER AND COMMUNITY TRANSITION PROGRAM**

## **EXECUTIVE SUMMARY**

The Worker and Community Transition Program plays a critical role in meeting priority missions of the Department of Energy, including: (1) facilitating early closure of excess defense sites; (2) managing transitions to new more efficient contracting mechanisms; (3) identifying and promoting disposition of excess assets; and (4) working with communities to develop strategies that can both foster local economic diversification and result in financial benefits to the Department. These functions could not be as effectively coordinated or implemented without a separate, independent office with focused responsibility. Since its creation in 1994, the Office of Worker and Community Transition (the Office) has been invaluable in assisting the Department to reduce its contractor work force by nearly one-third. These reductions save the Department \$3.3 billion yearly in wages and benefits alone. The Office has helped impacted communities create or retain 16,000 private sector jobs and, through facilitating rapid closure and reuse of facilities, saved the Department millions of dollars in landlord and maintenance costs.

Through the next several years, the Department will face numerous transition challenges as certain facilities, such as Mound and Fernald in Ohio and Rocky Flats in Colorado, reach closure. Environmental cleanup will be completed for major portions of Oak Ridge and Hanford. In addition, the Department will continue to seek innovative ways of accomplishing its mission, resulting in contracting changes and disruptions that, if managed poorly, would negate any benefits of the changes.

It will be necessary for the Department to continue to perform essential functions including coordinating policy guidance and oversight for meeting these objectives, facilitating approaches that will achieve significant cost savings to the taxpayer, minimizing legal challenges to work force transition, enhancing productivity of the remaining contractor work force, and helping communities realize potential economic development opportunities. The plan identifies an alternative approach for addressing these requirements within the Office of Management and Administration and enumerates negative impacts from such a reorganization.

As a result, the Department does not intend on terminating this program for the foreseeable future.

## **I. INTRODUCTION**

This plan fulfills the requirements of section 3151 (b) of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999. This section provides that “not later than July 1, 1999, the Secretary of Energy shall submit to the congressional defense committees a plan to terminate the Office of Worker and Community Transition (the Office). The plan shall include (1) a description of how the authority of the Office would be terminated; and (2) a description of how the responsibility to manage downsizing of the contractor work force of the Department of Energy would be transferred to other offices and programs within the Department.”

## **II. PROGRAM AUTHORITIES AND RESPONSIBILITIES**

The Worker and Community Transition Program is rooted in authorities and responsibilities developed both by the Congress and within the Agency over the past decade. These responsibilities would need to be redistributed if the Office were to be terminated.

### **A. Legislative Authority**

Legislative authority for the Office is included in the Atomic Energy Act, sec. 161 (u), which provides the Department with the authority to enter into long-term contracts for management and operation of Departmental facilities, including benefits associated with work force changes that will be reimbursed as an allowable cost; section 3161 of the National Defense Authorization Act for Fiscal Year 1993 (Public Law 102-484) that requires the Secretary of Energy to develop a plan for restructuring the work force at defense nuclear facilities; section 3110 (a) (5) of the USEC Privatization Act (Public Law 104-134) that extends section 3161 to the gaseous diffusion plants; and section 304 of the Energy and Water Development Appropriations Act that directs no funds may be used for severance payments or other benefits and community assistance grants under section 3161 to augment appropriations for worker and community transition.

### **B. DOE Policy**

DOE Order 350.1 (September 30, 1996) establishes Departmental responsibilities, requirements, and cost allowability criteria for the management and oversight of contractor human resource management programs, including labor relations, labor standards, and reductions in contractor employment. DOE Acquisition Letter 93-4 issued on April 7, 1993, provides guidelines for implementing the medical benefits program for displaced workers approved by Secretary Watkins on July 29, 1992, prior to enactment of section 3161.

The October 17, 1995, settlement agreement between the State of Idaho and the United States of America (Civil No. 91-0054-S-EJL, United States Court for the District of Idaho) provides for payments totaling \$30 million over a period of five years to be provided by the Department of Energy for community development purposes. Completion of this agreement involves payments of \$6 million in Fiscal Year 2000 and \$3 million in Fiscal Year 2001.

### **C. Program Responsibilities**

The mission of the Office is to minimize the social and economic impacts on the workers and communities affected by Departmental mission changes. It is charged with developing and overseeing policies and programs to assure fair treatment of all concerned, while at the same time recognizing the unique conditions at each site and in each contract. It assists those communities most affected by providing federal resources to help stimulate economic development.

Based on this mission, the principal functions of the Office are to: establish policy and provide funding for contractor work force restructuring activities caused by mission change and by operational efficiencies (contract reform, for example); develop policy for contractor labor relations; oversee the collective bargaining process, and assist the Department's field organizations in labor/management relations; establish policy for community transition and allocate funding to mitigate economic impacts; assist field organizations to reduce operating costs associated with maintaining the Department's asset infrastructure; and provide stakeholders information and appropriate opportunities for participation in the decisionmaking process affecting the contractor work force and adjacent communities.

## **III. ONGOING REQUIREMENTS**

The Department will continue to experience significant transitions affecting workers and communities for the foreseeable future. As a result, we do not intend to disband the Office of Worker and Community Transition. Detailed below are the requirements that support our determination that a separate organization is required.

### **A. Fostering Early Site Closure**

Over the next several years, the Department is committed to complete environmental remediation and achieve early closure at Rocky Flats, Mound, and Fernald, with the prospect for savings in excess of \$1 billion from reduced landlord and employment costs. These closures alone will require termination of approximately 6,000 workers. Achieving these ambitious objectives is dependent on retaining an experienced, skilled and motivated work force up to the time when their services are no longer required. The Office is working to develop strategies to assure that early closure can be achieved.

At least two other sites, the East Tennessee Technology Park (ETTP) at Oak Ridge, Tennessee, and areas of the Hanford site are engaged in preparing land and facilities for reuse as industrial facilities. Reindustrialization of significant portions of these sites holds out the prospect of reducing cleanup and landlord costs, as well as creating new employment for workers as cleanup activities are completed at these facilities.

## 1. Mound

The Department reached an agreement with the local community in January 1998, to transfer this facility for industrial use after closure--currently forecast for FY 2004. Site transfer is a key element in our plan to secure community cooperation and to achieve this ambitious schedule. Rapid closure and transfer for industrial use is forecast to save \$150 million in maintenance and operating costs and over \$30 million in reduced pay and benefits through early employee separation. Cleanup to industrial reuse standards could save taxpayers as much as \$1 billion in avoided cleanup costs.

Primary emphasis will be placed on providing assistance to contractor employees who must move to new careers prior to separation including placement in jobs that will be created by firms locating at the new industrial park. The local Community Reuse Organizations (CROs) has created 283 jobs thus far and expects an additional 550 new positions by 2001.

The Department has agreed to provide \$5 million each year for the next two fiscal years, to be match by the community, that will be used to convert the land and some of the facilities at the Mound site to an industrial park. In part, this commitment was made because the community has been willing to partner with the Department to achieve rapid closure of the site to industrial cleanup standards.

## 2. Fernald

Options for helping the site's contractor employees achieve career transitions and provide incentives for workers to remain onsite for the duration of the cleanup must tie to opportunities beyond the site boundaries because the community has embraced a plan for returning the site to a "natural" state. As a result, the Office is working with the Ohio Field Office and the site contractor to develop individual plans for approximately 2,000 workers that identify when each worker's tenure will end, and to create specific career transition strategies in cooperation with local businesses and educational

institutions that will allow them to go from work at Fernald to new private-sector careers. Pre-separation training and outplacement assistance are key elements in meeting this career transition objective.

### 3. Rocky Flats

The strategy at this site is to transition many of the 3,000 current workers at Rocky Flats to subcontractors over the next several years. The planning and incentive approaches developed at Fernald will be applied for retention of employees with critical skills. Rocky Flats has a unique challenge involving a significant change in staffing requirements approximately halfway through the cleanup effort. This is likely to require additional focus on retraining or cross-training of workers as well as an ability to attract new recruits to critical positions for a relatively short time period.

### 4. Oak Ridge K-25/ East Tennessee Technology Park (ETTP)

The ETTP is the former K-25 site and was the home of the Oak Ridge Gaseous Diffusion Plant. Its new mission involves "reindustrialization," reuse of site assets (such as facilities, equipment, materials, utilities, and trained work force) in partnership with commercial industry to achieve environmental restoration, decontamination and decommissioning, and waste treatment and disposal. Mutually-favorable arrangements already agreed to should yield over \$800 million in savings to taxpayers during the next 30 years (based on independent cost estimates). Currently 1,400 workers remain at the ETTP as employees of DOE contractors doing environmental management work. Reaching the full potential of the reindustrialization effort is expected to require an additional \$11 million in DOE community transition funding through FY 2003.

### 5. Hanford

Hanford has identified both real and personal property that has potential for commercial or industrial reuse which will reduce mortgage costs, produce revenues and promote the economic diversification of the region. The Office recently initiated a manufacturing reuse project at the site for heavy industrial zoning, substantially reducing DOE cleanup costs in those areas. The Department expect to save approximately \$2.0 million over 10 years by cleanup and lease of one facility and create approximately 300 jobs.

## **B. Privatization of the Government's Gaseous Diffusion Plants**

Work force adjustments may be necessary after July 1, 2000, at the Portsmouth and Paducah GDPs, depending on the level of USEC business and decisions on future site operations. Under the USEC Privatization Act, the Department retains

responsibility for mitigating the impact of reductions at these facilities involving workers who were employed prior to the privatization decision.

### **C. Streamlining the Nuclear Weapons Industrial Complex**

Implementing the recommendations of the Chiles Commission is expected to affect the “mix” of workers at the Kansas City Plant, the Pantex Plant, and Y-12 facility at Oak Ridge. Additional adjustments may be required at the Los Alamos, Livermore and Sandia National Laboratories and the Savannah River site.

### **D. Community Diversification**

The Department has recognized significant benefits from assisting communities reduce their dependence on federal programs. In most cases, economic development partnerships have improved community relations and, in some cases, the Department has reduced its cost of operations from reduced mortgage and cleanup costs. In the longer term, these communities will be less sensitive to changes in the Department’s operations.

Most of the CROs should become self-sufficient within the next five years. In the near term, however, completion of the Mound agreement will require funding through FY 2001. Supporting the settlement agreement with the State of Idaho will also require funding through FY 2001. Additional support may be necessary at Portsmouth, Ohio, and Paducah, Kentucky, based on USEC decisions impacting long term employment at the gaseous diffusion plants.

Several CROs in communities where changes in the work force did not begin until later, or will occur in the future, have not obtained implementation grants. These include Fernald, Paducah, Pantex, Carlsbad, and Albuquerque. The Office plans to review requests for implementation grants from these CROs during this period. Overall it is expected that funding for these activities will be in the range of \$5-10 million per year.

### **E. Asset Sales and Disposition**

The Office will seek to integrate its asset management program with other Headquarters Offices responsible for real and personal property inventory systems and policies with regard to property disposition, as well as the Chief Financial Officer in documenting the generation of proceeds resulting from the sale or lease of excess or unneeded properties. The Asset Management Program will continue to work with Field Organizations to identify its property base, document the extent to which that property base will be considered excess or unneeded and assist in selecting the most cost-effective disposition routes for those properties.

And it will continue to work closely with Field Organizations seeking to engage the community in reusing Department assets as a cost-effective tool for managing our resource base.

#### **F. Labor-Management Relations**

In addition to the work force restructuring, community transition and asset disposition responsibilities, the Office will retain responsibility to promote cooperative and productive labor-management relations between the Department's contractors and their work force. This effort can help identify steps to promote retention of critical skills, implement innovative methods to improve productivity, and assure fair treatment of workers.

#### **G. Funding Requirements**

It is anticipated that funding requirements over the next several years will not exceed the FY 2000 budget request of \$30 million per year. This is less than one third of the Office's budget during the major reductions phase of its work. If the Department is directed by the President or the Congress to significantly reduce spending for current programs, additional worker and community transition assistance will be warranted. Staffing for the Office is scheduled to decline from the current 25 full-time equivalent (FTE) employees to 21 FTEs by the end of FY 2000. Additional reductions may occur after FY 2000.

### **IV. IMPACT OF TRANSFER OF AUTHORITY AND RESPONSIBILITY**

If the Program were terminated, the ability of the Department to meet its ongoing responsibilities would be undercut. The provisions of the Atomic Energy Act as well as DOE Orders governing contractor work force restructuring would remain to guide the Department's activities in this area, but authority for coordination of policy implementation would be undermined.

Prior to creation of the Office, the Office of Human Resources, now the Office of Management and Administration, had responsibility to oversee allowable costs associated with employee benefits, including separation benefits. If this responsibility were returned to the Office of Management and Administration, along with elimination of identified appropriations for enhanced separation benefits, Congress would lose the ability to easily track enhanced benefit programs and require them to be funded from within program operating budgets.

The Department will continue to require expertise in reindustrialization and economic conversion. Loss of an independent office to focus on these initiatives is likely to result in missed opportunities for savings. If no funds were available directly to the Department for this purpose, consideration should be given to establishing priority

eligibility for other federal assistance programs as needs may develop, or to provide individual appropriations to the Department to meet specific situations as they occur.

The Department will have an ongoing need for expertise on labor-management relations. Eliminating the Office and transferring the function would reduce senior management attention to an area that has the potential to seriously impact contractor operations.

The Department is seeking to consolidate responsibility for the asset disposition function. Current responsibilities for management and disposition of assets are also located in Field Integration, the Office of Management and Administration and with the Chief Financial Officer, as well as the Field Organizations. The Department is reviewing asset disposition and materials management responsibilities to determine the most effective organizational structure.

The Department's Work Force Information System (WFIS) has been developed by the Office to consolidate four corporate databases tracking contractor work force metrics. This database tracks changes in contractor employment, equal opportunity data, compensation and benefits costs, and collective-bargaining agreements. This function could be transferred, but would result in no savings.

## **V. POTENTIAL TRANSFER OF AUTHORITY AND RESPONSIBILITY**

If the program were terminated, the ability of the Department to meet its ongoing responsibilities would be undercut. The provisions of the Atomic Energy Act as well as DOE Orders governing contractor work force restructuring would remain to guide the Department's activities in this area, but authority for coordination of policy implementation would be undermined. Illustrative options of how the Office's responsibilities could be transferred are discussed below.

### **A. Transfer as a Subsidiary Office to the Office of Management and Administration**

A core group could be transferred as a subsidiary office under the Office of Management and Administration. The Director would no longer be a Program Secretarial Officer.

This option would provide reduced institutional expertise in contractor work force management, labor relations, and information management in support of the Department's continuing requirements. In addition, we would recommend transferring staff involved with community assistance programs to community relations functions in two major programs (Defense Programs and Environmental Management).

#### **1. Work Force Management**



Prior to creation of the Office, the Office of Human Resources, now the Office of Management and Administration, had responsibility to oversee allowable costs associated with employee benefits, including separation benefits. This responsibility could be returned to the Office of Management and Administration. Such a move, along with elimination of separate appropriations for enhanced separation benefits, would lose the ability of Congress to easily track enhanced benefit programs and require them to be funded from within program operating budgets.

Field Offices currently have federal employees assigned to contractor human and industrial relations responsibilities. These workers could assume some additional tasks for overseeing work force restructuring at their sites that could require additional staffing.

## 2. Labor-Management Relations

The Department will have an ongoing need for Headquarters expertise related to labor-management relations and labor standards questions. It may be possible to consolidate these positions in the future within the Office of Management and Administration.

Field Office Human Relations/Industrial Relations staff would continue to provide site specific support in this area.

## 3. Community Assistance

The Department will continue to require expertise in reindustrialization and economic conversion. We would recommend transferring employees currently in this Office to community relations functions within the Office of Environmental Management and one to Defense Programs.

These individuals would provide expertise in support of strategies to promote ongoing programs for reindustrialization and economic conversion. If no funds are available directly to the Department for this purpose, consideration should be given to establishing priority eligibility for other federal assistance programs as needs may develop, or to provide individual appropriations to the Department to meet specific situations as they occur.

## 4. Asset Disposition

The Department is seeking to consolidate responsibility for the asset disposition function. Current responsibilities for management and disposition of assets are also located in Field Management, Office of Management and Administration and with the Chief Financial Officer, as well as the Field Organizations. The Department is reviewing asset disposition and materials management responsibilities to determine the most effective organizational structure. It is expected that this decision will be made

within in the coming year and implemented well prior to potential termination of the Office of Worker and Community Transition. At least three FTEs would be transferred out of the Office to consolidate this mission.

#### 5. Information Management

The Department's Work Force Information System (WFIS) has been developed by the Office to consolidate four corporate databases tracking contractor work force metrics. This database tracks changes in contractor employment, equal opportunity data, compensation and benefits costs, and collective-bargaining agreements. This function could be transferred to the Office of Management and Administration.

#### 6. Public Participation

This activity could be consolidated into existing public affairs/public participation activities within the Department.

### **B. Merge with the Office of Contract and Resource Management in the Office of Management and Administration**

This option would involve similar transfers as discussed in the first option. The exception would be that there would not be a separate director of a subsidiary office. This approach would further undermine visibility for Headquarters oversight of contractor work force restructuring and planning activities.